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DECEMBER NEWSLETTER TO DIRECTORS:

Gentlemen:

Several items of importance must be discussed and decided upon within the next few days so I thought I'd write this letter to bring you up to date, plus prepare you somewhat for the next directors meeting. Remember too, our annual stockholders meeting in which all directors are elected for the coming year, will be in February. The Incorporation Papers call for the annual meeting to be held on the first Monday in February, so if there are any changes you want, now is the time to prepare to submit your recommendations.

A. PROPOSED PURCHASE AND LEASE PLAN FOR DINING AND LOUNGE CARS

Del Wallengren, realizing the acute condition of our finances and also realizing the Company potential of having dining and lounge cars for diversification and additional income, has proposed to purchase some of the cars we feel we would like for this proposed operation, if he can come to some agreement with the Company, said agreement to include:

1. A lease on the operations as the prime concessionaire for all foods sold on the train.
2. An agreement with the Company to re-purchase the cars when the money is available.
3. A plan of operations for the trains, adequate to assure him of an opportunity to make a profit on the venture.

The need for immediate action for this is the fact that the available cars from Union Pacific, which are by far the cheapest due to the close proximity and in the best condition, are rapidly being picked over by other buyers, particularly people who wish to make railroad motif restaurants. Also, due probably to the surprising demand, the ability to negotiate options and to cut the price below the quoted amounts is apparently negligible, although we have all agreed that the price quoted is nominal in relation to value.

Del feels we need the following cars:

1. 1 lunch-snack diner, listed by U.P. at \$4,000.00 ea. delivered to end of line (Phoston)

THE IRON HORSE TRAIL THROUGH THE ALPS OF UTAH



2. 2 to 3 Diners listed by U.P. at \$5,000.00 to \$7,000.00 ea. delivered - Phoston
3. 1 Dome Lounge " " " " \$10,000.00 ea. " "
4. 1 Baggage Car equiped as dance car \$2000.00 ea. " "

plus moving costs.

Del feels he can only afford to purchase up to two diners and perhaps the baggage and lunch counter cars. My opinion is that if the concept is good, but funds are limited now and the cars are going, that we should purchase the dome lounge car and if we have to, utilize the hospital cars as diners. Del doesn't agree, and its his money.

B. THE CONCEPT OF DINING CARS AS PART OF THE EXCURSION RUNS

As an addition to the excursion train as we ran last summer, this plan would propose to add to each train, diner car equiped as a lunch - snack car complete with a long bar and stools, where light refreshments, condiments, beverages, hamburgers, popcorn, candy ect. would be purchased by all passengers on the train, plus an additional conventional diner that would serve regular meals to persons who reserved space in advance. The total capacity of the conventional diner car would add to the total train capacity to determine just how many seats were available, but probably the capacity of the lunch - snack car could not be counted except on extreme conditions. The portion of the proposed excursion operation, as well as the Night Club concept, as far as I am concerned now, is based on the assumption that the excursion run is the heart of our entire train operation, and until other areas of endeavor prove to be more profitable with less effort or investment, all services must either compliment the excursion run or the service cannot be considered. When a capacity of 400 passengers could enerate 1,300.00 or more gross revenue per run from ticket sales alone, it is hard fo me to picture any service we could add or suplant that could generat such gross when one considers time, investment, and effort. Therefore, the concept of either dining and lunch facilities on excursion runs, and night club trains al er excursion runs must be considered as vehicles to enhance the image of ti overall trains concept, and in no way can it conflict with the maximum utilization of the train as a vehicle to develop revenue from excursion rides.

NIGHT CLUB CONCEPT AS IT DIFFERS FROM DINING AS PART OF EXCURSION RUN

After the daily excursion runs, (initially probably only on Friday, Saturday

Sunday and holiday evenings) we would propose to place in operation a train which may or may not be pulled by a steam engine. Particularly on off season we could use the diesel electric. This train would consist of two conventional diner cars, one dome lounge, one dance car as a minimum. The operations would be much the same as the diner-lunch car on the excursion run. It must be designed to compliment the entire concept, not compete or replace what is already known to be profitable unless income to the Company so indicates.

If any director has comments about the above concepts as I see it, or has any lease clauses or conditions that he feels should be a part of any agreement/lease, or reservations about the Company dealing with Del on the above basis, please call Lowe or write as quickly as possible.

#### B. TRACK REPORT

We are enclosing a summary document Dennis Spendlove has prepared for our use on the track work needed for the next several seasons. I am sure we all agree that the future dependable profit of our Company must be based on the condition of our track. It is much the same as the foundation of a building. To date, I feel we have been extremely naive about the huge amount of investment this will require. Dennis has made a walking foot by foot examination of the entire line, consulted with many people, spent hours reading maintenance manuals prior to writing this report, and I consider it extremely well done and factual. I think it shows how desperately we need sizeable amounts of money for this portion of our project alone. In all comparable businesses we have studied, including the most profitable ones, Strassburg and Stone Mt. Georgia, all were extremely naive about the amount of investment needed to upgrade or build their track, and all found themselves in dire trouble after their first year of operations. Stone Mt. actually underestimated their track requirements by \$250,000.00 and they only have 4 miles of track. You can see the possible consequences of poor estimating on our part with 18 miles. I urge you all to study the enclosed summary carefully. Remember, it is a summary, if you want the entire report ( 17 pages) we will send you a copy. Our next Board Meeting will include approval of a plan for spending funds for capital expenditures, and I do not want conflict on the amount proposed for track work if we have not fully studied and questioned Dennis's report.

C. LEASE WITH STATE

We are still hammering away at the State almost on a daily basis to get our lease, but as yet, the bureaucratic morass of state government has defied our efforts to find out what is holding it up. Needless to say, this has left our Company exhausted financially, and our employees have all had to go on unemployment, and we are extremely delinquent on many bills and yet we have not found a source to borrow without personal guarantees from our directors. We are losing some reputation with needed suppliers, and frankly fellows, the problem is becoming more and more critical.

D. REPORT ON ACQUIRING LONG TERM CAPITAL

1. Underwriting: This has not been too encouraging because we can't really get after it until the leases are finalized. Also, when we find an interested one, they tell me it will take a year to get money. I personally wonder if the State of Utah, particularly the Highway and Parks department really know or care just how they have hurt our chances to further protect State "interests". We do have a meeting scheduled with a couple of underwriters just after the first of January.

2. Borrowing Large Funds: At the suggestion of Gordon Mendenhall, we have approached S.B.A. and E.D.A. - 4 Corners about the possibility of a large, \$400,000.00, low interest, (5 to 6%) long term (20 year) loan. There is some encouragement in this approach, and we will approach it at the same time we attempt to get an underwriting. The information and time required is probably exactly the same as a public offering, and actually we may realize the loan faster.

It's been a long tough year. I personally have learned a lot, particularly how naive I was about a year and a half ago when I accepted a little Chamber of Commerce assignment from Leon to chair a "SAVE THE HIBER CREEPER COMMITTEE". Maybe there is truth in that old army adage, Never volunteer for anything. But, I am just as convinced as I ever was in the eventual worth of this project, not only to us as stockholders, but to our community, which makes it all worth it. I do appreciate very much the stockholders we have, and wish you all well for 1972.

  
Lowe

## TRACK REPORT 1971

## I. Objectives of track Maintenance Program of Wasatch Mountain Railway

## A. Safety

1. Maintenance of the right of way in the safest condition possible with the funds available.

## B. Train Operations

1. Upgrading of the trackage so that running time can be reduced and still allow for the safety and comfort of passengers.

## II. Background

## A. History

1. The line was originally construction in 1899 by the Utah Eastern Railway. It was absorbed by the Rio Grande in 1900 and remained under their control until 1969 when it was sold to the Utah State Highway Department. During the early decades of Rio Grande ownership, the track saw heavy traffic.

The line was totally relayed with second hand rail in 1924. Except for a small number of replacements over the years, we are still operating over that rail. In the late 1930's ten and one-half miles of the line were relocated and newer, although second hand, heavier rail installed.

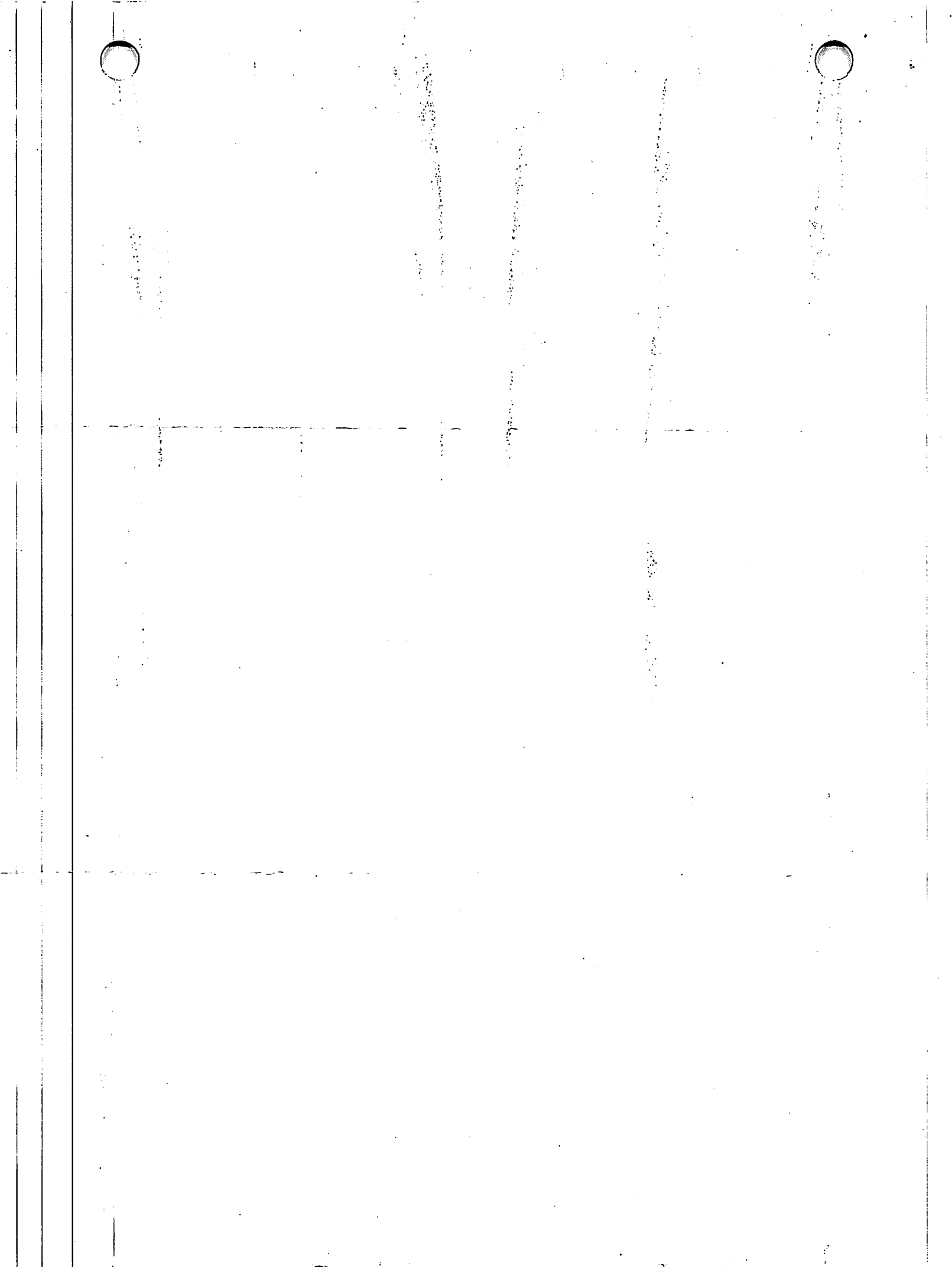
During the last ten years of D&RG ownership traffic diminished steadily, and so did track repairs. The line had deteriorated so much that the D&RG estimated it would cost around \$5,000.00 to get a work train ~~xxxxxxx~~ through, merely for salvage operations.

In 1971 the Wasatch Mt. Railway obtained right of way to operate over the line from the State of Utah. With a meager budget the line was cleared and improved sufficiently to allow two trains to operate over it on a daily basis. The ability to continue operations safely and reliably, dictates that much work must yet be done to overcome the many years of neglect.

## III. Determining needs and priority

## A. Method

1. A complete inspection of right of way
  - a). The line has been walked in its entirety with defects and potential problems areas noted and compiled with respect to section of line where noted.
  - b). A years experience of working on the right of way and operating trains over it has brought a number of problems to the attention of those concerned. These problem areas also have been taken into consideration.
2. Research of track maintenance problems
  - a). A number of individuals were consulted who are notable in the field. Their recommendations and observations were used as a basis for judgement.
  - b). Track maintenance publications were studied and pertinent information was also applied to the recommendations contained here in.



## IV. Results and Recommendations

## A. The results of the study show the following:

## 1. Ties

- a). Cross ties form the back bone of all railroad trackage, in conjunction with the rails to which they are spiked. Trackage in which the ties have deteriorated beyond the critical point cannot safely support traffic even though the rail is in excellent condition.
- b). There are at least 13,200 broken, rotten or missing ties on the line, or nearly 1 in 4. While at first glance this may not appear to be prohibitive to operations, it must be emphasized this is a minimum figure. In all probability, standard railroad practice would indicate a number twice that size actually in need of being replaced now or in the near future. If not renewed the ties will continue to deteriorate with ~~an~~ 3% to 4% annual casualty rate.  
an additional compounded
- c). While the critical point hasn't yet been reached on our line as a whole, there are isolated areas where tie condition is critical, and it will take a minimum of 4,500 ties to alleviate this condition.

## 2. Rail and Fixtures

- a). Rail is classified by weight in pounds, to length in yards. 75# rail weighs 75 lbs. to the yard. The heavier rail is, the longer it will last, the easier and more economical it is to maintain, and the more conducive it is to high speed traffic.
- b). We have 4 miles of 75# rail which is about the minimum size we can use. This rail is many years old and well worn. While not unsafe at slow speeds, it requires much attention to keep it so. It is foreseeable that our 75# rail will have to be replaced by heavier rail in the next 10 years. We presently have 60 sections of 75# rail in dire need of replacements. We have had a high number of broken rail joints and bolts. This is primarily because of the condition of road bed and ties, but the sections of heavier rail on our line under the same conditions have had a fraction of the problem. This indicated that heavier rail has the strength necessary to support itself better under load when the track is poorly maintained than can light rail.
- c). There are 3½ miles of 85# rail on the line. It seems to be holding up much better than the 75# rail, but we have had some rail joint breakage. Maintenance has amounted to nearly half of the 75# trackage. A good proportion of the tie plates in the 85# trackage are broken, due primarily to poor design.
- d). The remainder of our line, 10½ miles, were laid with 90# rail when the line was relocated. This rail has required little or no maintenance as of yet. This rail should last us for many years to come.

## 3. Roadbed and Ballast

- a). With but a few exceptions the roadbed is quite stable. These





2. Minimum requirements to maintain track and right of way for safe train operation, but sacrificing some speed and comfort, as well as economy of continued maintenance would cost around \$65,000.00. (Itemized in appendix) Included would be 4,500 ties, 1150 tons of ballast, replacement of 102 sections of rail as well as 12,818 man hours labor. To install 1.6 miles of 85# rail in Heber Valley would run an additional \$15,000.00.

3. As safety is of primary importance in any enterprise involving the public it is recommended by the author, that minimum requirements as stated above be met at least, in view of financial limitations. Let it also be noted that minimum requirements would preclude any substantial increase in train operating speed, but would contribute to the safety of the operation. Let it also be noted that minimum requirements does not include any new construction, repair to sidings, track repair in yard, ditching, or disposition of the "hump" at "Water Cress". If economies can be made in the above program, remaining funds will be allocated to the highest priority items listed in the previous sentence.

4. It is further recommended that a continuing yearly maintenance budget for track be established for following items:

- a. ties: 2000 each per year
- b. spikes and plates: enough to meet requirement
- c. Ballast: 1000 Tons
- d. Rail and fixtures needed to replace those unserviceable in the line.
- e. additional needed tools or equipment ~~which~~ become broken and/or unserviceable.
- f. needed repairs or modifications to equipment.
- g. sufficient funds to cover labor on the above.
- h. additional funds for additional projects which may come up from time to time but not on a continuing basis ie. additional new construction, rebuilding of bridges, relaying large amounts of rail, etc.

5. The above would make possible a 30 year tie replacement program, a 17 year reballasting program and a general continuing maintenance program based on wear and tear of traffic, ie. the more traffic, the more to fix. Funds should be made available on a ratio to traffic.

6. As the supply and cost of labor is unpredictable at best and represents nearly half of the total cost of track maintenance, devices which can supplant or supplement labor could reduce the cost of the labor factor. Any such device which can materially contribute to reliability, and economy could be considered an asset to the Company, and should be. Listed below are some items of equipment which are to be recommended:

- a. tractor with frontend loader, backhoe, and forklift attachment.
- b. assorted power tools either air or hydraulic operated, ie. impact wrenches and sockets, tie tamper/spiker, track jacks, spike pullers, tie extractor. Some of the above items could be combined in one unit and the design and fabrication done by ourselves. Also a power supply would be needed.
- c. Modification of the Davenport for use in ballast maintenance.
- d. Jordan Spreader
- e. rail drill
- f. rail saw
- g. rail stretcher

h. rail bender

7. Another of our major problems in maintenance of way is transportation logistics. We have an acute problem in getting materials to the job site due to lack of proper and reliable transportation. This has on a number of occasions reduced the overall effectiveness of man power involved and wasted money. Lack of a reliable means to get men to and from the job site has also on occasion wasted time and money. An efficient track maintenance or improvement program cannot result under such conditions. It is suggested that the following items be considered as a partial solution:

- a. 1 or 2 reliable motor cars.
- b. a number of small 4 wheel flat cars to be used in conjunction with above. These could be built in our shop by utilizing some commercially available parts.
- c. A flat car to be used exclusively in work train service.
- d. Access to the use of a locomotive on a daily basis, to be used in work train service. This would be a much simpler matter if we had a diesel.
- e. Two tool sheds located out on the line, possibly at the dam and Vivian Park. These areas are accessible by road and would allow us to drive to that point, get tools or supplies as needed, and store them safely between shifts. This would eliminate the time consuming process of loading all tools needed for a days work on the Davenport or in a truck and transporting them from Heber to the site, where ever that may be, and back again at night. It would give us a safe place to store supplies such as tie plugs, spikes, bolts, etc. where they would be available at short notice. It would also provide a place to store motor cars, should the need arise, which would be out of the weather and safe from the average vandal. Two of the old box car halves at the back of the yard, placed on a cinder block foundation and provided with a door would be ideal.
- f. Stake Bed Truck, 4 or 5 Ton if possible, with a hoist. This would enable us to move materials of less than car load quantities with some economy. Perhaps a flat bed trailer would do the trick.



## GRAND TOTAL MATERIAL

Item	Amount Needed	Minimum Required	Unit Cost at Site	Needed Mat. Cost	Min. Required Mat. - Cost
Ties	13,206	4,500	\$5.20	\$68,671.20	\$23,400.00
Spikes	21,412	9,600	.08	1,712.96	768.00
Plates	5,076	2,700	.50	2,538.00	1,350.00
Rail 75# *	15	60	15.00	225.00	900.00
85#	1 mile **	9	20.00	9,628.00	180.00
90 #		33***			250.00
Ballast	17,600 Ton	1,150 Ton	3.50	\$61,600.00	4,025.00
Joint Bars	50 pr.	100 pr.	3.75	187.50	375.00
Other ****	misc.	misc.	misc.	225.00	450.00
Subtotal				\$145,076.60	\$31,698.00
Contingency 10%				14,507.66	3,169.80
TOTAL				\$159,584.26	\$34,867.80

\* These figures depend on the amount of useable rail salvaged from Section Five.  
 \*\* Purchased from Rio Grande @ \$50.00 per ton.  
 \*\*\* Most of this rail is located at the Dam. Expense involved is in transportation.  
 \*\*\*\* Miscellaneous hardware, nuts, bolts, and etc.

## LABOR

Item	Man hrs. min	Man hrs. Max		
Servicing Joints	560			
Ties	4500	13,206		
Bridges	150	150		
Repair Crossings	1000	1000		
Rail	816	2441		
Lining	3892	1520		
Ballasting and Raising Track	1900	35,200		
Total hrs.	12,818	53,517		
Cost @ \$2.00 ph	\$25,636.00	\$107,034.00		
Contingency 10%	2,563.60	10,703.40		
COST TOTAL	\$28,199.60	\$117,737.40		
Jordan Ditcher	8 Days	Cost per day \$150.00	Total \$1,200.00	